

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE ELAM)	
UTILITY COMPANY FOR PURCHASED)	CASE NO. 8178-K
GAS ADJUSTMENT OF RATES)	

O R D E R

On September 21, 1981, the Commission issued its Order in Case No. 8178 approving certain adjustments in rates and providing, under certain conditions, for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

On December 10, 1982, Elam Utility Company ("Elam") notified the Commission that its wholesale cost of gas would be increased by its supplier Columbia Gas Transmission Corporation ("Transmission"), effective January 1, 1983, and submitted with its notice certain information in compliance with its purchased gas adjustment clause on file with this Commission.

Elam's increase from Transmission is another one of those federally-mandated pass-throughs of higher gas prices in which upon the record this Commission has no discretion. Elam will not realize even one cent of profit but simply will turn over to its supplier the increased amounts which it must collect from its consumers.

After reviewing the notice filed in this case and being advised, the Commission is of the opinion and finds that:

(1) The Public Service Commission is being asked to authorize a pass-through of a price increase already approved by the Federal Energy Regulatory Commission ("FERC"). Failure to allow this increase to be passed through to its retail consumers on a timely basis would be unfair and unjust to Elam and would ultimately result in higher rates to its consumers. The Commission has (in writing) indicated its opposition to the procedures and regulations used by FERC since 1975 to approve these supplier increases.

We are also actively presenting our views to FERC and to our Kentucky Congressional delegation concerning revisions to the Natural Gas Policy Act of 1978, which allows gas suppliers to raise their gas prices without regard to costs. Because of Natural Gas Policy Act formulas allowing producers to so raise their prices and because of the action of FERC in allowing such increases to pass through to the transmission company and through it to the distributing company, in this case Elam, this Commission has no real authority in the matter. Under federal law and actions, this Commission serves merely as the conduit for the final pass-through of the increased cost of gas to the consumers when, as here, the distributing utility makes no profit from the increased prices which it must pay for gas purchased from the transmission company.

(2) Elam's notice of December 10, 1982, set out certain revisions in rates which Elam proposed to place into effect, said rates being designed to pass on the wholesale increase in price from its supplier in the amount of \$10,556 or 21 cents per Mcf.

(3) The proposed rates will allow Elam to recover only the increased cost of wholesale gas and will not permit it to make any profit in doing so. The magnitude of this filing exposes Elam to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(4) The Commission should waive its policy of requiring evidence of FERC acceptance in this case and allow Elam to place into effect, subject to refund, the rates in Appendix A.

(5) Elam's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 8178 dated September 21, 1981, is fair, just and reasonable, in the public interest and should be effective with gas supplied on and after January 1, 1983, subject to refund.

IT IS THEREFORE ORDERED that the purchased gas adjustment sought by Elam be and it hereby is authorized to be effective with gas supplied on and after January 1, 1983, subject to refund.

IT IS FURTHER ORDERED that for the purpose of future application of the purchased gas adjustment clause of Elam, the base rate for purchased gas shall be:

Columbia Gas Transmission Corporation

Commodity

\$5.1685 per Mcf

Capitol Oil and Gas Company

3.95 per Mcf

IT IS FURTHER ORDERED that within 30 days after the date of this Order, Elam shall file with this Commission its revised tariff sheets setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 29th day of December, 1982.

PUBLIC SERVICE COMMISSION

Not sitting
Chairman

Katharine Randall
Vice Chairman

Jim Langan
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 8178-K DATED DECEMBER 29, 1982

The following rates are prescribed for its customers in the area served by Elam Utility Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

RATES: Monthly

RESIDENTIAL

Customer Charge	\$4.00
First 11 Mcf	7.68 per Mcf
Over 11 Mcf	8.68 per Mcf

COMMERICAL

Customer Charge	\$5.00
All Mcf	7.68 per Mcf

Purchased Gas Adjustment Clause

<u>Supplier</u>	<u>Rate</u>
Columbia Gas Transmission Corporation	\$5.1685 per Mcf
Capitol Oil and Gas	3.95 per Mcf